Operating results for the year 2017

Agrokor Group and Agrokor d.d.

27th April, 2018.

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Introduction

- Today’s presentation comprises unaudited consolidated results of the Agrokor Group and Agrokor d.d.
- The scope of consolidation in 2017 comprises 105 companies, 52 of which in Croatia
- In view of the ongoing restructuring process, the financial statements were prepared on a basis where the assumption of going concern is not satisfied („non-going concern“)
- The statements were prepared under the assumption that in 2018 a settlement will be closed with the creditors

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Situation in the Agrokor Group at the end of Q1 2017

Late March 2017 :

- Moody's downgrades Agrokor's rating from B3 to Caa1;
- Agrokor achieves a standstill agreement with its six major creditors – banks, however, the injection of fresh liquidity into the system fails to happen;
- Suppliers start to initiate the first enforcements/foreclosures based on the debenture bonds, which soon results in the accounts of around fifteen Agrokor companies being blocked;
- On 31st March, 2017 the Commercial Court in Zagreb receives a submission requesting the bankruptcy of Konzum;

Early April 2017:

- Suppliers announce that they would completely stop to supply goods to Konzum and Agrokor, other than bread and milk;
- On 7th April, 2017 the Extraordinary Administration Procedure Act comes into force; that same day Ivica Todorić and other Members of the Management Board of Agrokor d.d. file a request to initiate the Extraordinary Administration Procedure with the Commercial Court;
- The total amount of blockades (frozen accounts) at all Agrokor Group companies as at 10th April, 2017 was HRK 3.03bn, with a total of HRK 321,988,729 collected during the blockade;
- On 10th April, 2017 the Commercial Court in Zagreb passes a Ruling opening the Extraordinary Administration Procedure at Agrokor and the Extraordinary Commissioner takes over the management of Agrokor, starting the process of urgent business stabilization;
- Once the Commercial Court appointed the Extraordinary Commissioner and the Law started to be implemented, the blockades thus having been lifted, the balance on the acocunts of 19 key companies of the Agrokor Group amounted to HRK 6.23;

April – May – June 2017 were a period of intensive efforts exerted to prevent the businesses from failing, stabilize the operations and secure new financing.

The business only came back to normal in the second half of the year.

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The basis of preparation of the statements has changed as the assumption of going concern is not satisfied

As at 31st December, 2017 the liabilities of the Agrokor Group and Agrokor d.d. **exceeed the value of assets**, which led to **insolvency**. This fact and the low likelihood of the Group continuing to do business over the next year have led to a change in the **basis of preparation of the statements** of the Agrokor Group and Agrokor d.d., with the assumption of **going concern** not satisfied any more („**non-going concern**")

The following assumptions have been applied in the statements:

:

1. The total debt of Agrokor d.d. has become due as of the day of opening the extraordinary administration procedure

2. It is assumed that the settlement will be closed in 2018.

3. In case of a settlement the business unit shall be transferred to a new holding company, while the remaining outstanding debt shall remain with the old company, it being certain that the old Group shall cease to exist

4. Assets and liabilities are still classified as long-term and short-term, as after the transfer of the business unit to the new holding company the balance sheet classification shall remain unchanged

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Agrokor d.d. (1/2)

Profit and loss account and balance sheet

Profit and loss account

mil. HRK, unaudited	2017.	2016.	2017. vs 2016. (%)
Total operating revenues	**285**	**399**	**(29%)**
Service cost	(250)	(237)[1]	6%
Personell cost	(102)	(111)	(9%)
Other costs	(187)	(1,121)[2]	(83%)
EBITDA	**(253)**	**(1,070)**	**(76%)**
EBITDA without the net restructuring cost [3]	***(0.5)***	***n/a***	***n/a***
Amortization/depreciation	(6)	(7)	(4%)
Impairment of non-current and current assets	(8,647)	(7,888)[4]	10%
Loss from alienation of stakes in subsidiaries	(467)	-	n/a

Balance sheet

mil. HRK, unaudited	Dec. 31, 2017.	Dec. 31, 2016.	2017. vs 2016. (%)
Total assets	**8,954**	**15,414**	**(42%)**
Non-current	1,882	9,057	(79%)
Current	7,072	6,356	11%
Total equity	**(23,290)**	**(13,497)**	**73%**
Total liabilities	**32,244**	**28,911**	**12%**
Long-term	0	18,979	(100%)
Short-term	32,244	9,932	225%

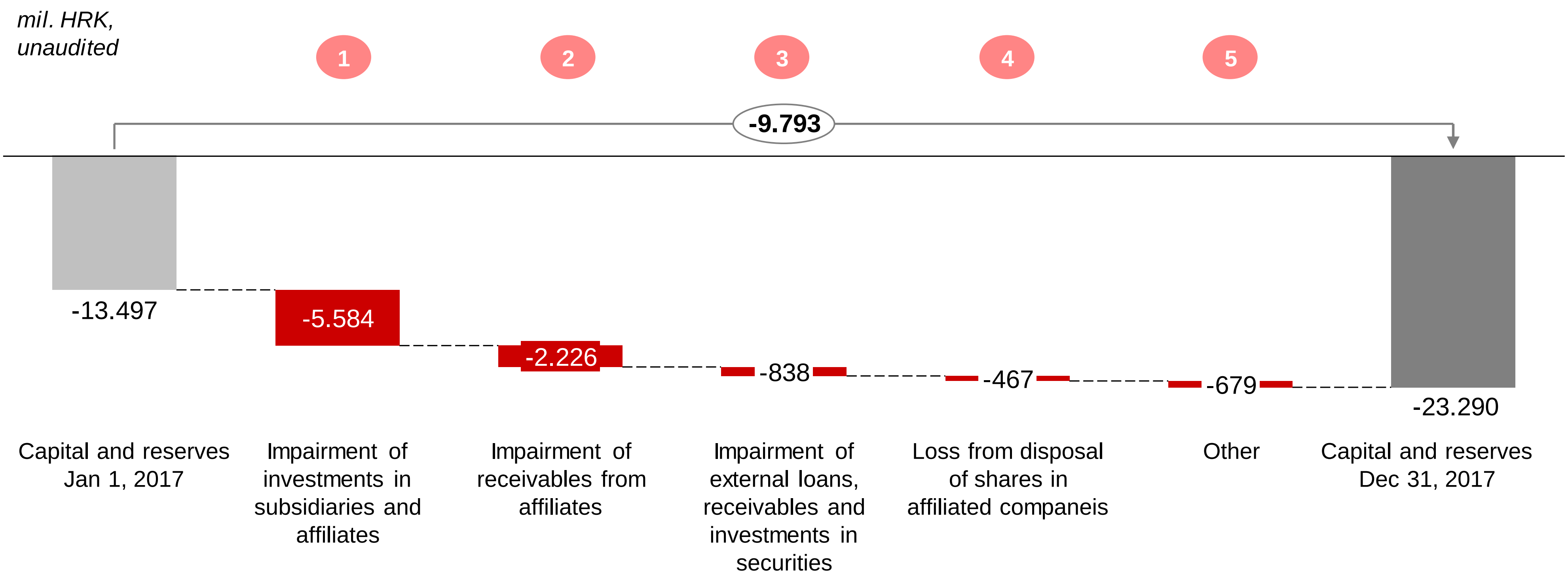
Major changes in 2017:

- Impaired investments in subsidiary and affiliated companies in line with the company valuations from the viability plans
- Impaired receivables from affiliated companies in line with the EPM[5] results
- Impaired external loans, receivables and investments in securities
- New debt during the course of the Extraordinary Administration Procedure (SPFA) and classification of all other loans as short-term

[1]Cost of services in 2016 include HRK 156m of costs related to the so-called IPO project
[2]Other costs in 2016 include HRK 921m of costs related to the so-called IPO project
[3]Net restructuring costs in 2017 amount to HRK 253m
[4]Impairment costs in 2016 include HRK 128m of costs related to the so-called IPO project
[5]EPM – Entity Priority Model

Agrokor d.d. (2/2)

Change in capital and reserves 2017 vs. 2016



1. Impaired investments in subsidiary and affiliated companies in line with the company valuations from the viability plans
2. Impairment of receivables from affiliated companies in line with the EPM results
3. Impairment due to collectability assessment of loans granted, given that these placements are mostly unsecured
4. Loss due to disposal of shares in subsidiaries as a consequence of repo transactions
5. Remaining net effect from the profit and loss account

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Agrokor Group (1/4)

Profit and loss account and balance sheet

Profit and loss account

mil. HRK, unaudited	2017.	2016.	2017. vs 2016. (%)
Total operating revenues	**39,463**	**44,868**	**-12%**
Cost of material and merchandise[1]	(27,586)	(31,332)	-12%
Cost of services[2]	(5,069)	(5,333)	-5%
Cost of personnel	(4,575)	(4,762)	-4%
Other operating costs	(1,266)	(2,412)	-48%
EBITDA	**665**	**1.029**	**(35%)**
EBITDA net of restructuring cost[2]	***967***	***1.029***	**(6%)**
Amortization/depreciation	(1,666)	(2,276)	(27%)
Asset impairment	(2,615)	(2,138)	22%

Balance sheet

mil. HRK, unaudited	Dec. 31, 2017.	Dec. 31, 2016.	2017. vs 2016. (%)
Total assets	**35,387**	**41,753**	**(15%)**
Non-current	23,045	29,480	(22%)
Current	12,342	12,273	1%
Total equity	**(20,760)**	**(14,534)**	**43%**
Total liabilities	**56,147**	**56,287**	**0%**
Long-term	8,910	28,415	(69%)
Short-term	47,237	27,872	69%

Major changes in 2017

- Impairment of non-current assets due to asset valuation, transfer to assets available for sale and so on.
- Working capital stabilization
- All credit liabilities in the companies in Croatia became due with the opening of the Extraordinary Administration procedure (classification into short-term)
- New debt during the course of the Extraordinary Administration (SPFA[3])

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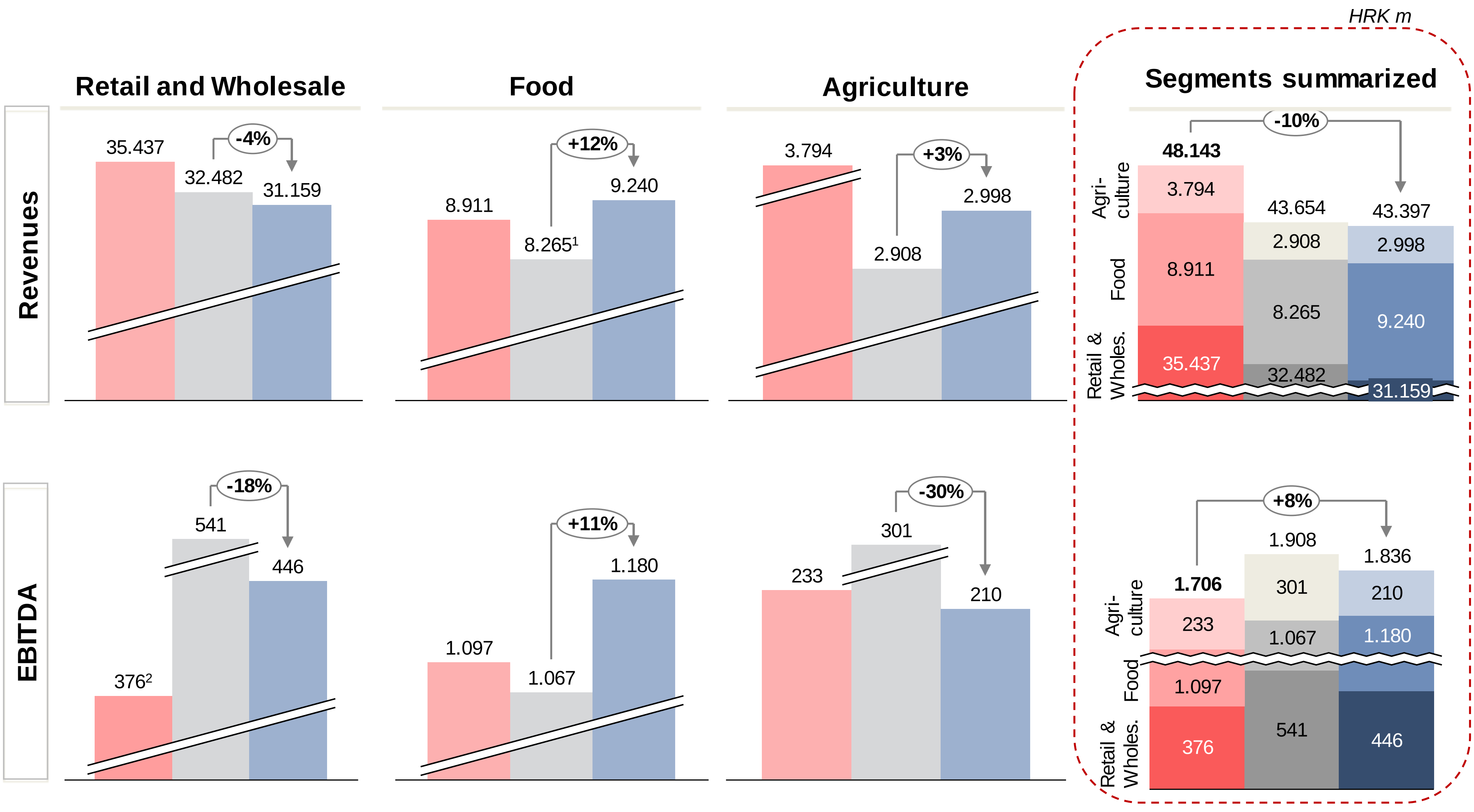
[1]Includes also value adjusment of finished product and unfinished production inventories
[2]The restructuring cost in 2017 amounts to HRK 302m
[3]Super Priority Term Facility Agreement

Agrokor Group (2/4)

Comparison of results and viability plan



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Note: The data for 2017 from the viability plan include the major companeis by segment, while the 2017 result includes all companies subject to consolidation

[1]The amount in 2017 according to the viability plan does not include revenues from services

[2]Does not include the reclassification of financial leasings in 2016

[3]The 2016 figures were taken from the viability plans

Agrokor Group (3/4)

Business by segments (1/2)

1 **Agrokor d.d.**

- Over the course of 2017 Agrokor actively helped the operating companies stabilize their business processes and cash flow and make the management during crisis as efficient as possible
- With a view to stabilizing the Group's liquidity, in June 2017 **a new financing was arranged** in the amount of up to EUR 1.060m by way of the SPFA, a super-priority term facility agreement, thus enabling the companies within the Group to continue doing business and have access to the required liquidity
- Since the beginning of th Extraordinary Administration and once the **liquidity position stabilized, preparations for the settlement** started, including amongst other things: determination of claims, preparation of business and viability plans, preparations for asset valuation, preparation of the EPM and so on.

2 **Retail and wholesale**

- Due to problems with payments which escalated in Q1 2017, certain **suppliers ceased to deliver goods**, leading to an **increase in out-of-stock**, which in some companies reached as much as ~16% (the usual level is below 2%)
- As a consequence of the crisis and unavailability of key goods, **the number of customers as well as revenues dropped in the first half of the year** (by even more than 20% in certain periods as against the previous year)
- The new financing in 2017 provided the required liquidity, with the operational focus on increasing turnover and margins to reach former levels, while **reducing costs** at the same time
- Given the marked seasonality in turnover (up to 40% difference in turnover) and the great significance of the season for retail and wholesale, the key step was to **secure availability of goods** and stable operations over the course of the summer months
- The steps taken during 2017 in restructuring and increasing profitability were primarily related to cost optimisation, closing down of unprofitable stores, increasing efficiency along with sales area optimization and closing down Velpro on the B&H market

Agrokor Group (4/4)

Business by segments (2/2)

3 **Food**

- The poor liquidity in the first part of the year **negatively affected the preparations for the season** and stockouts in Q2, resulting in **significantly lower sales revenues**
- Companies started an accelerated restructuring process and adjusted their business models under the new conditions
- **The restructuring measures resulted in significant savings** with some subsegments being able to keep their operating profits and others to reduce the drop in operating profits
- The trust of consumers in the brands has been preserved and the trust of suppliers in the companies re-established.
- In spite of a lack of marketing communication in the major part of the year, the **market shares** of all brands on all markets **were preserved**
- The Drinks segment generated the **historically best result in sales**, while during the summer months the **historically highest sales** of ice-cream in Croatia were achieved

4 **Agriculture**

- Due to liquidity problems companies were forced to **stop and reduce certain business segments** (trading activities, animal feed production…), with a significant impact on reducing revenues
- After the liquidity injection the suspended or reduced business processes were re-established, striving to set-off what had been lost in the first quarters by excellent production results
- The companies had record results in crop husbandry and the favorable pricing trend in commodities contributed to the good results

5 **Agrokor Portfolio Holding**

- A **central management team** was established in the non-core companeis of the Agrokor Group
- **Plans** were prepared **to dispose of part of the companies** in two stages, over the course of two years.
- The focus during 2017 was to reduce operating costs and maintain the values of the companies.
- **Negotiations** were initiated and actively conducted **with large landlords of Konzum** stores regarding the optimisation of leasing costs.

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Conclusion

- In 2017 the Agrokor Group was able to generate a solid business result under the given difficult operating circumstances which had lead to the restructuring process in the first place
- The publication of final audited statements for Agrokor d.d. and the Agrokor Group is expected early next week.
- The publication of audited results of the operating companies of the Agrokor Group is expected in May due to EPM updates, in order for the assumptions used in the financial statements to be in line with the best assessments available
- Ahead of us is now the completion of the financial restructuring with the settlement, the implementation of the settlement and further operational restructuring

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